



February 26, 2015

Dr. Pamela Hammond
Interim President
Virginia State University
1 Hayden Drive
Petersburg, VA 23806-0001

RE: **Final Program Review Determination**
OPE ID: 00376400
PRCN: 201410328457

Sent via e-mail

Dear Dr. Hammond:

The U.S. Department of Education's (Department's) School Participation Division - Philadelphia issued a program review report on January 24, 2014 covering Virginia State University's (VSU) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2012-2013 and 2013-2014 award years. VSU's final response was received on March 24, 2014. A copy of the program review report and VSU's written response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by VSU upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) close the review and (5) notify VSU of a possible adverse action. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

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School Participation Division – Philadelphia
100 Penn Square East, Suite 511
Philadelphia, PA 19107
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This FPRD contains a finding regarding VSU's failure to comply with the Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations. Because this DFSCA finding will not result in the assessment of financial liabilities, such a finding may not be appealed. If an adverse administrative action is initiated, additional information about VSU's appeal rights will be provided under separate cover.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Ms. Sarsfield at 215.656.6459.

Sincerely,

(b)(6)

Nancy P. Gifford
Division Director

Enclosure:
Final Program Review Determination Report

cc: Ms. Myra Phillips, Financial Aid Administrator
VA Department of Education
Southern Association of Colleges and Schools Commission on Colleges
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Prepared for
Virginia State University

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OPE ID: 00376400
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Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-Philadelphia

Final Program Review Determination **February 26, 2015**

Philadelphia School Participation Division
The Wanamaker Building
100 Penn Square East, Suite 511, Philadelphia, PA 19107
StudentAid.gov

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A. Institutional Information

Virginia State University
1 Hayden Drive
Petersburg, Virginia 23806-001

Type: Public

Highest Level of Offering: Master's Degree or Doctorate

Accrediting Agency: Southern Association of Colleges and Schools Commission on Colleges
Virginia Department of Education

Current Student Enrollment: 5,793 (2013-2014)

% of Students Receiving Title IV: 88% (2013-2014)

Title IV Participation (PcNet):

2011-2012	
Federal Pell Grant	\$16,381,004
Teacher Education Assistance for College and Higher Education Grant	\$ 8,000
Federal Supplemental Educational Opportunity Grant	\$ 563,574
Federal Work Study	\$ 484,819
William D. Ford Federal Direct Loan Program	\$54,746,821
Federal Perkins Loan Program	\$ 110,500

Default Rate FFEL/DL: 2011: 10.5%
2010: 13.6%
2009: 13%

Default Rate Perkins: 2012: 39.2%
2011: 23.9%
2010: 23.7%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Virginia State University (VSU) from November 18, 2013 to November 22, 2013. The review was conducted by Diane Sarsfield and Jean Brennan Rines.

The focus of the review was to determine VSU's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of VSU's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2012-2013 and 2013-2014 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning VSU's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve VSU of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings:

Finding # 4: Inaccurate Reporting to COD for Federal Pell Grant Disbursements

Finding # 5: Verification Deficiencies

VSU has taken the corrective actions necessary to resolve findings # 4 and 5 of the program review report. Therefore, these finding may is considered closed. The institution's response concerning these findings is included in Appendix C.

Findings with Final Determination

The following program review findings have been resolved by the institution and are considered closed. These findings are included solely for the purpose of discussing resolution of the findings.

Finding #1: Incorrect Determination of Financial Need

Citation Summary The amount of need of any student for financial assistance is equal to the student's cost of attendance (COA) minus the expected family contribution (EFC) minus the estimated financial assistance (EFA). Higher Education Act of 1965, Part F – Needs Analysis, Section 471.

Estimated financial assistance is defined as the estimated amount of assistance for a period of enrollment that a student (or a parent on behalf of the student) will receive from Federal, State, institutional, or other sources, such as scholarships, grants, net earnings from need-based employment or loans. 34 C.F.R. § 685.102 (b)

A school may not originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan, or a combination of loans, for an amount that exceeds the student's estimated cost of attendance for the period of enrollment, less the student's estimated financial assistance for that period, and in the case of a Subsidized Direct Loan, the borrower's expected family contribution for that period. 34 C.F.R. § 685.301(a)(4)(ii).

To qualify for a Federal Direct Subsidized Loan, a borrower must demonstrate financial need in accordance with title IV, part F of the Act. 34 C.F.R. § 685.200 (a)(2)(i)(A). As in the following formula: $COA - EFC - EFA = \text{Need}$.

Noncompliance Summary: VSU incorrectly determined the financial need for three students in the sample. In its determinations, VSU failed to include funds awarded to the students from state, institutional, or other scholarships as estimated financial assistance (EFA) in calculating each student's eligibility for a Direct Subsidized loan. Consequently, the three students did not have need for the Direct Subsidized loans originated and disbursed by VSU.

Required Action Summary: VSU was required to adjust the financial aid packages for the three students and to submit the revised financial aid documents to the Department with its response to the program review report.

In addition, VSU was required to conduct a file review of all Title IV recipients who were packaged with aid from state, institutional, or other scholarships during the 2012-2013 and 2013-2014 award years. VSU was required to review the need analysis for each student to determine if the appropriate EFA was included in determining the student's eligibility for need based aid. VSU was to compile the results of this review in a spreadsheet and submit the spreadsheet in both hardcopy and electronic formats with its response to the program review report. Additionally, VSU was required to update its policies and procedures to ensure that all estimated financial assistance is included in determining a student's eligibility for need based aid. VSU was to submit a copy the updated procedures with its response to the program review report.

VSU's Response Summary: In its March 24, 2014 response to the program review report, VSU concurred with the finding. VSU reported that it corrected the financial aid packages for the three students identified in the finding.

VSU submitted the results of its file review of all Title IV recipients who were packaged with aid from state, institutional, or other scholarships during the 2012-2013 and 2013-2014 award years.

VSU also submitted an updated "Awarding Financial Aid" policy and University Packaging Procedures for calculating a student's financial need.

Final Determination: VSU submitted sufficient information to resolve the finding pertaining to students # 6, 25 and 29. For student # 6, VSU cancelled the student's subsidized loan of \$1,843.00 and awarded the student an institutional grant for the same amount. For students # 25 and 29, VSU reallocated the loans by cancelling the subsidized loans and awarding additional unsubsidized loans.

The Department reviewed the results of the file review and supporting documentation VSU submitted in response to this finding. For the 2012-2013 award year, VSU identified 160 students who were packaged with financial aid in excess of their need. For these students, VSU cancelled the subsidized loan and replaced the loan with an institutional grant. For this cohort of students, VSU awarded institutional grants totaling \$360,260.00. The Department verified in COD that the subsidized loan was cancelled for a sample of 40 students identified in VSU's file review. The Department did not identify any discrepancies with the information reported for these students.

For the 2013-2014 award year, VSU identified 159 students who were packaged with financial aid in excess of need. For these students, VSU reallocated the loans by cancelling the subsidized loan and awarding an unsubsidized loan. For this cohort of students, VSU reallocated loans totaling \$381,264.00. The Department sampled 40 of the 160 students identified in VSU's file review to verify in COD and NSLDS that the subsidized loans were cancelled and re-classified as unsubsidized loans. The Department did not identify any discrepancies with the information reported for these students.

The institution must follow its revised policies and procedures to ensure that all funds awarded to students from state, institutional, or other scholarships are included as estimated financial assistance (EFA) in calculating a student's eligibility for need based aid.

Finding #2: Failure to Notify Students/Parents of Right to Cancel

Citation Summary: If an institution credits a student's account with Direct Loan Program Funds, the institution must notify the student (or parent) of their right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. This notification must include the procedures and time by which the student or parent must

notify the institution that he or she wishes to cancel the loan or loan disbursement. 34 C.F.R. § 668.165(a)(2)(ii).

Noncompliance Summary: VSU did not have a process to notify student or parent borrowers of their right to cancel all or a portion of their loan disbursement or of the timeframe for borrowers to notify the institution to cancel a loan disbursement.

Required Action Summary: VSU was required to develop a policy with procedures to ensure that each borrower is notified of their right to cancel all or a portion of a loan or loan disbursement. VSU was to submit a copy of the policy and the written notification with its response to the program review report.

VSU's Response Summary: In its March 24, 2014 response to the program review report, VSU concurred with the finding. VSU reported that its policies and procedures were updated to ensure that each borrower is notified of their right to cancel all or a portion of a loan or loan disbursement. VSU also reported that a notification process was implemented during the Spring 2014 semester by sending e-mails to all borrowers after each disbursement was processed.

Final Determination: The Department reviewed VSU's revised policy and the written notification provided with the institution's response to this finding. The institution must follow these revised policies to ensure that all borrowers are notified of their right to cancel all or a portion of the loan disbursement.

Finding #3: Inadequate Exit Counseling Policy

Citation Summary: A school must conduct exit counseling with each loan borrower. The school must conduct this counseling shortly before the student borrower ceases at least half-time study at the institution. If the student borrower withdraws without notice or fails to complete the required exit counseling, the school must provide written exit counseling materials to the borrower by mailing it to the borrower's last known address within 30 days of the institution's determination that the student has withdrawn or failed to complete exit counseling. 34 C.F.R. § 685.304(b)(1). The school must maintain documentation substantiating its compliance with this requirement. 34 C.F.R. § 685.304(b)(7).

Noncompliance Summary: VSU failed to conduct exit counseling for students #2 and 9. In addition, VSU did not have a process to provide exit counseling to students who unofficially withdraw from the school following a semester break.

Required Action Summary: VSU was required to provide exit loan counseling to the two students identified in the finding. VSU was to submit documentation of the exit counseling to the Department with its response to the program review report.

Additionally, VSU was required to conduct a file review of all students who withdrew from the institution during the review period in order to verify if exit counseling has been performed for

each student. VSU was required to send the appropriate exit counseling materials to all students for whom the institution is unable to document previous counseling. VSU was to compile a list of students and submit a copy of the exit counseling materials sent to each student. Finally, VSU was required to revise its exit counseling policy to ensure that all students who withdraw from the institution receive exit counseling. VSU was to submit a copy of the policy with its response to the program review report.

VSU's Response Summary: In its March 24, 2014 response to the program review report, VSU concurred with the finding. VSU reported that exit counseling was provided to the two students identified in the finding.

VSU submitted the results of its file review that identified all students who did not receive exit counseling after an unofficial withdrawal from the institution.

VSU also submitted updated policies and procedures to provide exit counseling to each student who unofficially withdraws from the institution.

Final Determination: The Department reviewed the results of the file review and supporting documentation VSU submitted in response to this finding. VSU's file review identified 1,026 students who did not receive exit counseling after unofficially withdrawing from the institution during the review period. VSU provided a copy of the e-mail notification and exit counseling form that was sent via e-mail to each student at their VSU email address.

In addition, VSU provided sufficient information to document that exit counseling was provided to students # 2 and 9.

VSU must follow its revised procedures to ensure that all students are notified of exit counseling requirements when they are no longer enrolled at least half time.

Finding #6: Drug and Alcohol Abuse Prevention Program Requirements

Citation Summary: The Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations requires each participating institutions of higher education (IHE) to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.

On an annual basis, the IHE must distribute written information about its drug and alcohol abuse prevention program (DAAPP) to all students, faculty, and staff. The distribution plan must make provisions for providing the material to students who enroll at a date after the initial distribution, and for employees who are hired at different times throughout the year. The information must include:

- 1) A written statement about its standards of conduct that prohibits the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees;
- 2) A written description of legal sanctions imposed under Federal, state and local laws for unlawful possession or distribution of illicit drugs and alcohol;
- 3) A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;
- 4) A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to students and employees; and,
- 5) A statement that the IHE will impose disciplinary sanctions on students and employees for violations of the institution's codes of conduct and a description of such sanctions.

In addition, each IHE must conduct a biennial review in order to measure the effectiveness of its drug prevention program, and to ensure consistent treatment in its enforcement of its disciplinary sanctions. The IHE must prepare a report of findings and maintain its biennial review report and supporting materials and make them available to the Department and interested parties upon request. 34 C.F.R. §§ 86.3 and 86.100.

Noncompliance Summary: VSU violated multiple provisions of the DFSCA and the Department's Part 86 regulations. The institution failed to develop and implement a comprehensive drug and alcohol abuse prevention program (DAAPP). As a result of this failure, VSU also violated DFSCA's annual distribution requirement by failing to deliver a materially-complete DAAPP disclosure to all employees and students who are enrolled for any academic credit.

Specifically, the DAAPP did not contain the following required elements:

- A written description of legal sanctions imposed under Federal, state and local laws for unlawful possession or distribution of illicit drugs and alcohol;
- A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to students and employees; and,
- A statement that the IHE will impose disciplinary sanctions on employees for violations of the institution's codes of conduct and a description of such sanctions. The current DAAPP does list disciplinary sanctions for students, but does not include employees.

Required Action Summary: VSU was required to take all necessary corrective actions to resolve these violations. At a minimum, VSU was required to perform the following:

- Review and revise its existing drug and alcohol program materials and develop new program content as needed to ensure that a comprehensive DAAPP that includes all of the required elements found in the DFSCA is in place;
- Publish a materially-complete annual DAAPP disclosure that summarizes the program;
- Develop detailed policies and procedures that will ensure that the DAAPP disclosure is distributed annually to every student who enrolls for any academic credit and to all

employees. This policy must provide for active delivery to every member of the campus community regardless of when they enroll or are hired and irrespective of the duration of enrollment/employment. A copy of VSU's new DAAPP and new distribution policy must accompany with its response to this program review report.

- Distribute the new DAAPP disclosure and provide documentation evidencing the distribution as well as a statement of certification attesting to the fact that the materials were distributed in accordance with the DFSCA. This certification must also affirm that the institution understands all of its DFSCA obligations and that it has taken all necessary corrective actions to ensure that these violations do not recur;

VSU was required to incorporate the findings from its biennial review into its DAAPP. As noted above, the exceptions identified in this finding constitute serious violations of the DFSCA that by their nature cannot be cured. There is no way to truly "correct" a violation of a consumer protection/information law once it occurs. VSU will be given an opportunity to conduct a meaningful review of its DAAPP and to bring its drug and alcohol programs into full compliance with the DFSCA as required by its PPA.

However, VSU was advised that these remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective measures as a result. Based on an evaluation of all available information including VSU's response, the Department will determine if additional actions will be required and will advise VSU accordingly in the FPRD.

VSU's Response Summary: In its response, VSU concurred with the finding and stated that the University developed and implemented new statements of policy and procedures to address the DAAPP omissions and incorporated that material into a new version of its "Alcohol & Drug Policy" brochure. In addition, the University claimed that a formal procedure was established to ensure that the annual DAAPP disclosure is distributed annually to all required recipients. VSU management also asserted that the program information was distributed during the spring semester of 2014 and submitted documents in support of its claims. Specifically, VSU provided copies of messages that were sent to a *Listserve* that, per the response, included the e-mail addresses for all students and employees.

Final Determination: Finding #6 of the program review report cited VSU for multiple violations of the DFSCA and Part 86 of the Department's General Administrative Regulations. Specifically, the University failed to develop and implement a comprehensive DAAPP that included all required components. Specifically, three areas of mandatory disclosure were not addressed in the existing program materials. In addition, VSU did not produce a complete DAAPP disclosure that summarized its program. Moreover, the University failed to actively distribute program materials to its employees and all students enrolled for academic credit. As a result of these violations, VSU was required to develop and implement a new DAAPP and produce and distribute an annual disclosure.

As a result of these violations, VSU was required to review, revise, and enhance its existing DAAPP and develop new program content as needed. Once the program deficiencies were addressed, the University was required to produce an annual DAAPP disclosure that summarized the program. VSU was also directed to develop detailed policies and procedures for distributing the disclosure to every student enrolled for academic credit and to all employees regardless of the date that the individual was enrolled and/or hired. Then, using its new policy as a guide, VSU was required to distribute the new DAAPP disclosure and retain evidence of its distribution efforts. In its response, VSU concurred with the finding, described the remedial actions taken in an attempt to address the violations, and submitted documents in support of its claims.

The Department carefully examined VSU's narrative response and supporting documentation. The review team's examination showed that the identified violations were, for the most part, satisfactorily addressed by the University's response and new DAAPP program materials. Based on that review and VSU's admission of noncompliance, the violations identified in the finding are sustained. In addition, the Department has determined that VSU also failed to conduct an adequate biennial review. This separate and distinct finding logically follows from the violations documented in the program review report. The biennial review is primarily a study of the DAAPP's effectiveness. Therefore, an institution cannot conduct a substantive biennial review until it has a fully-functional DAAPP in place and all program requirements are communicated to members of the campus community. As documented above, the DAAPP in place during the review period did not address three of the five areas of mandatory policy development. The program review also showed that no program materials were distributed to students and employees during this period.

The Department also has determined that VSU's remedial action plan meets minimum requirements. For these reasons, the Department has accepted the response and considers this finding to be closed for purposes of this program review. Nevertheless, the officials and directors of VSU are put on notice that they must take all other action that may be necessary to address the deficiencies and weaknesses identified by the Department as well as those that were detected during the preparation of the response to the Department's report and/or as may otherwise be needed to ensure that these violations do not recur. In this regard, VSU is reminded that its biennial reviews must be completed on the required cycle and its reports must contain detailed information about the review process and research methods. All findings and recommendations must be supported documented and supported by valid evidentiary data. Although this finding is now closed, VSU is reminded that the exceptions identified above constitute very serious and persistent violations of the *DFSCA* that by their nature cannot be cured. There is no way to truly "correct" violations of this type once they occur. VSU asserted that it has taken adequate remedial actions and by doing so, has taken steps to finally comply with the *DFSCA* as required by its Program Participation Agreement. Notwithstanding the remedial efforts taken thus far, VSU officials must understand that compliance with the *DFSCA* is essential to maintaining a safe and healthy learning environment. Data compiled by the Department shows that the use of illicit drugs and alcohol abuse is highly correlated to increased incidents of violent crime on campus. The DAAPP failures documented above deprived students and employees of important information regarding the educational, financial, health, and legal

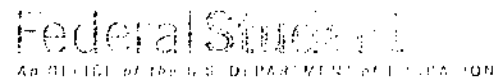
consequences of alcohol abuse and illicit drug use. Furthermore, the biennial review violation subsequently identified by the review team also deprived the institution of important information about the effectiveness of any drug and alcohol programs that may have been in place. For these reasons, VSU is advised that its remedial measures cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or additional remedial measures as a result.

In light of the serious consequences associated with compliance failures of this type, the Department strongly recommends that VSU re-examine its drug and alcohol policies, procedures, and programs (including its annual DAAPP disclosure distribution policy) on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with the *DFSCA*. Please be advised that the Department may request information on a periodic basis to test the effectiveness of the institution's new policies and procedures.

Final Program Review Determination
PRCN #: 201410328457

Appendix A
Program Review Report

Prepared for
Virginia State University



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OPE ID: 00376400
PRCN: 201410328457

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-Philadelphia

Program Review Report January 24, 2014

Philadelphia School Participation Division
The Wanamaker Building
100 Penn Square East, Suite 511, Philadelphia, PA 19107
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D. Appendix	
Appendix A, Student Sample	

A. Institutional Information

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1 Hayden Drive
Petersburg, Virginia 23806-001

Type: Public

Highest Level of Offering: Master's Degree or Doctorate

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Virginia Department of Education

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Federal Perkins Loan Program	\$ 110,500

Default Rate FFEL/DL: 2011: 10.5%
2010: 13.6%
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Default Rate Perkins: 2012: 39.2%
2011: 23.9%
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B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Virginia State University (VSU) from November 18, 2013 to November 22, 201. The review was conducted by Diane Sarsfield and Jean Brennan Rines.

The focus of the review was to determine VSU's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of VSU's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2012-2013 and 2013-2014 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning VSU's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve VSU of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by VSU to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding #1: Incorrect Determination of Financial Need

Citation: The amount of need of any student for financial assistance is equal to the student's cost of attendance (COA) minus the expected family contribution (EFC) minus the estimated financial assistance (EFA). Higher Education Act of 1965, Part F – Needs Analysis, Section 471.

Estimated financial assistance is defined as the estimated amount of assistance for a period of enrollment that a student (or a parent on behalf of the student) will receive from Federal, State, institutional, or other sources, such as scholarships, grants, net earnings from need-based employment or loans. 34 C.F.R. § 685.102 (b)

A school participating in the William D. Ford Direct Loan Program (Direct) shall ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. 34 C.F.R. § 685.301(a)(1).

A school may not originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan, or a combination of loans, for an amount that exceeds the student's estimated cost of attendance for the period of enrollment, less the student's estimated financial assistance for that period, and in the case of a Subsidized Direct Loan, the borrower's expected family contribution for that period. 34 C.F.R. § 685.301(a)(4)(ii).

To qualify for a Federal Direct Subsidized Loan, a borrower must demonstrate financial need in accordance with title IV, part F of the Act. 34 C.F.R § 685.200 (a)(2)(i)(A). As in the following formula: $COA - EFC - EFA = \text{Need}$.

If a student has received a determination of need for a Direct Subsidized Loan that is \$200 or less, a school may choose not to originate a Direct Subsidized Loan for that student and to include the amount as part of the Direct Unsubsidized Loan. 34 C.F.R. § 685.301(a)(7).

Noncompliance: VSU's determination of financial need for students #6, 25 and 29 was incorrect. In its determinations, VSU failed to include funds awarded to the students from state, institutional, or other scholarships as estimated financial assistance (EFA) in calculating each student's eligibility for a Direct Subsidized loan. As a result, the three students did not have need for the Direct Subsidized loans originated and disbursed by VSU, as detailed in the following chart.

Student #	COA	EFC	EFA	COA-EFC-EFA= Need for a Direct Subsidized Loan	Direct Subsidized Loan Originated by VSU
6	\$20,075.00	11,805	\$11,013.00	0	\$3,722.00
25	\$17,266.00	12396	\$4,750.00	\$120.00	\$4,750.00
29	\$20,767.00	13361	\$11,750.00	0	\$3,500.00

An institution's failure to determine a student's eligibility for need based aid causes increased expense for the Department.

Required Action: VSU must adjust the financial aid packages for the three students identified in this finding. VSU must provide documentation to that effect with its response to the program review report.

In addition, VSU must conduct a file review of all Title IV recipients who were packaged with aid from state, institutional, or other scholarships during the 2012-2013 and 2013-2014 award years. VSU must review the need analysis for each student to determine if the appropriate EFA was included in determining the student's eligibility for need based aid. VSU must compile the results of this review in a spreadsheet. The spreadsheet should be formatted to include the following data and must be submitted in both hardcopy and electronic formats with its response to this program review report.

1. Student's Name;
2. Social Security Number;
3. Academic Year;
4. Student's Cost of Attendance;
5. Student's Expected Family Contribution (EFC);
6. Student's Estimated Financial Assistance (EFA) from all sources;
7. VSU's Determination of Need;
8. Title IV Funds Awarded by Program; and
9. Was the Student Packaged with Title IV Aid in Excess of Financial Need: YES/NO;

If VSU's file review identifies students enrolled during the 2013-2014 award year with financial aid packages in excess of the student's financial need, VSU must adjust the student's financial aid package. For those students enrolled for the 2012-2013 award year, any Title IV funds disbursed to the students in excess of their financial need will become an institutional liability. Repayment instructions will be provided in the Final Program Review Determination Letter.

Finally, VSU must update its policies and procedures to ensure that all estimated financial assistance is included in determining a student's eligibility for need based aid. The updated procedures should be included with VSU's response to this program review report.

Finding #2: Failure to Notify Students/Parents of Right to Cancel

Citation: If an institution credits a student's account with Direct Loan Program Funds, the institution must notify the student (or parent) of their right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. This notification must include the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. 34 C.F.R. § 668.165(a)(2)(ii).

The institution must provide the notice described in writing, no earlier than 30 days before, and no later than 30 days after crediting the student's account at the institution, if the institution obtains affirmative confirmation from the student. 34 C.F.R. § 668.165(a)(3)(i).

Affirmative confirmation is a process under which an institution obtains written confirmation of the types and amounts of Title IV, HEA program loans that a student wants for an award year before the institution credits the student's account with those loan funds.

34 C.F.R. § 668.165(a)(6)(i).

Noncompliance: VSU does not have a process to notify the student or parent borrower of their right to cancel all or a portion of their loan disbursement or of the timeframe in which the student or parent must notify the institution in order to cancel a loan disbursement.

An institution's failure to provide student and parent borrowers with notice of their right to cancel may cause increased expense for both the U.S. Department of Education and the borrowers.

Required Action: VSU is required to develop a policy with procedures to ensure that each borrower is notified of their right to cancel all or a portion of a loan or loan disbursement. These procedures must include a description of how and when written notification will be given to the student and/or parent borrower. A copy of the policy and the written notification must be submitted with VSU's response to this program review report.

Finding #3: Inadequate Exit Counseling Policy

Citation: A school must conduct exit counseling with each loan borrower. The school must conduct this counseling shortly before the student borrower ceases at least half-time study at the institution. If the student borrower withdraws without notice or fails to complete the required exit counseling, the school must provide written exit counseling materials to the borrower by mailing it to the borrower's last known address within 30 days of the institution's determination that the student has withdrawn or failed to complete exit counseling. 34 C.F.R. § 685.304(b)(1). The school must maintain documentation substantiating its compliance with this requirement. 34 C.F.R. § 685.304(b)(7).

Noncompliance: VSU failed to conduct exit counseling for students #2 and 9. The students failed to return to the school following a semester break. VSU does not have a process to provide exit counseling to students who unofficially withdraw from the school following a semester break.

An institution's failure to provide exit loan counseling to students may result in increased student loan defaults and cause increased expense for the Department.

Required Action: VSU must provide and document exit loan counseling for the students identified in this finding. Copies of certified mail receipts will be considered adequate

documentation that exit loan counseling was conducted and should be submitted with the institution's response to the program review report.

VSU must also conduct a file review of all students who withdrew from the institution during the review period in order to verify if exit counseling has been performed for each student. VSU should send appropriate exit counseling materials to all students for whom the institution is unable to document previous counseling. VSU must send a list of these students to the Department along with documentation that exit counseling materials were sent to each student.

Finally, VSU must revise its exit counseling policy to ensure that all students who withdraw from the institution receive exit counseling. The updated policy must be included with VSU's response to this program review report.

Finding #4: Inaccurate Reporting to Common Origination Disbursement (COD) for Federal Pell Grants Disbursements

Citation: An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with (1) funds received from the Secretary; (2) funds received from a lender under the FFEL Programs; or (3) institutional funds used in advance of receiving Title IV, HEA program funds. 34 C.F.R. § 668.164(a).

An institution must report any change, condition, or event that causes a change in the amount of Federal Pell Grant funds for which the student qualifies. The institution must report these changes to the Secretary according to the schedule and deadline established in the Federal Register. 34 C.F.R. § 690.83(b)(1).

An institution is required to submit both disbursement information for Federal Pell Grants and adjustments to previously reported disbursement data to the Common Origination and Disbursement System (COD) no later than (1) 30 calendar days for disbursements that occurred prior to April 1, 2013, and (2) 15 calendar days for disbursements that occur on or after April 1, 2013. Federal Register, published February 28, 2013 (Volume 78, #40).

Noncompliance: VSU reported inaccurate disbursement dates in COD for the Federal Pell Grant funds disbursed to 10 of the 15 students sampled for the 2012-2013 award year. The disbursement dates reported in COD ranged from one to five days earlier than the date the Federal Pell Grant funds were credited to the student's accounts.

An institution's failure to maintain current and accurate disbursement records for each student in the Department system may cause confusion for both the Department and school officials, and could result in the misuse of Title IV funds.

Required Action: VSU must update the COD records for the Federal Pell Grant funds disbursed to students #1, 2, 3, 4, 7, 8, 9, 11, 13 and 15 during the 2012-2013 award year.

VSU must also review its COD reporting policies and procedures, and revise if necessary to ensure that accurate disbursement information is reported to COD. Any revisions to the policies and procedures should be submitted with VSU's response to this program review report.

Finding #5: Verification Deficiencies

Citation: An institution that participates in Title IV Programs is required to accurately and completely verify certain data elements for those applications that have been "selected" by the Central Processing System (CPS). Data elements are verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. For this reason, participating institutions must require applicants selected for verification to provide acceptable documentation that will verify or update the information used to calculate the applicant's Estimated Family Contribution (EFC). 34 CFR § 668, Subpart E.

Effective with the 2012-2013 award year, the data elements to be verified for all applicants includes: household size; number in college; Supplemental Nutrition Assistance Program (SNAP); and child support paid. For non-tax filers: Income earned from work. For tax filers: AGI and U.S. Taxes Paid; education credits; untaxed IRA distributions; untaxed Pensions; and IRA deductions and tax-exempt interest. The verification documentation must be secured and retained in the student's file. 34 C.F.R. § 668.56(a). Federal Register, Volume 76, #134.

Noncompliance: VSU failed to complete verification for students #11 and 24.

For student #11, the ISIR indicated that the parent's "Other Taxed Income" was \$12,394.00; however, the parent's 2011 U.S. Federal Tax Return showed an amount of \$14,394.00 for Social Security Benefits.

For student #24, the institution did not have documentation (either a W4 or a signed statement from the parent) to verify the parent's "Tax-Deferred Pension/Savings" of \$2,651.00.

Failure to accurately complete verification may result in an additional expense to the Department and may allow students to receive Title IV funds for which they are not eligible.

Required Action: VSU must attempt to resolve the discrepant verification information for student #11 and complete verification for student #24. The institution may request the required documentation from student #24 to complete the verification process.

If verification is completed and the result is a revised Expected Family Contribution, the institution must perform a new needs analysis to determine the student's eligibility for Title IV funds. The new needs analysis must be submitted with the institution's response to this program review report. VSU will be responsible for any Title IV aid disbursed in excess of the student's eligibility.